

### Title:

Fontanilla vs. National Irrigation Administration: Liability for Damages Caused by Government Agencies Engaged in Proprietary Functions

### Facts:

The case revolves around an incident where a driver employed by the National Irrigation Administration (NIA), Hugo Garcia, caused an accident that resulted in injuries to the spouses Jose Fontanilla and Virginia Fontanilla. The NIA, established under Republic Act No. 3601 and later amended by Presidential Decree No. 552, was tasked with various responsibilities including the construction, improvement, rehabilitation, and administration of national irrigation systems within the Philippines, possessing both governmental and proprietary functions.

The spouses Fontanilla filed a legal action against the NIA, asserting that it should be liable for the damages caused by its driver as part of its proprietary function of providing irrigation systems, a service that could also be performed by private entities.

### Procedural Posture:

The legal battle took place over several instances, culminating in the filing of petitions and motions at the Supreme Court. The main contention was whether NIA, a government agency with a charter conferring it a separate juridical personality and engaging in both governmental and proprietary activities, could be held liable for the tortious conduct of its employee under the principle of respondeat superior. The case was decided by the Supreme Court's En Banc after motions for reconsideration of the Second Division's decision.

### Issues:

1. Whether the National Irrigation Administration, a government agency performing proprietary functions, can be held liable for the damages caused by the tortious act of its driver.
2. The applicability of the principle that the State (or state agencies with proprietary functions) can be held liable for acts of its employees performed within the scope of their assignment.

### Court's Decision:

The Supreme Court affirmed its decision and held that the National Irrigation Administration has a juridical personality separate and distinct from the government, performing proprietary functions aside from its governmental activities. Consequently, the

NIA could indeed be held liable for the negligent acts of its driver, who was acting within the scope of his employment at the time of the accident. The Court emphasized that the functions and purposes of creating the NIA, primarily for public benefit and welfare through the improvement of irrigation systems, do not exempt it from liability for tortious acts committed by its employees.

**### Doctrine:**

The central doctrine established is the distinction between the governmental and proprietary functions of a state agency and the liability of such an agency for tortious acts committed by its employees in the course of performing proprietary functions.

**### Class Notes:**

- State agencies with separate juridical personalities performing proprietary functions can be liable under tort law for the actions of their employees.
- The protective cloak of sovereign immunity does not extend to government entities engaging in activities that could be done by private enterprises, especially when such entities have their own charters allowing them to sue and be sued.
- The distinction between governmental and proprietary functions is crucial in determining the liability of state agencies for the actions of their employees.

**### Historical Background:**

This case underscores the evolving role of government agencies in undertaking functions beyond traditional governmental roles, reflecting a shift towards engaging in activities for public benefit and welfare that require application of legal principles from both public and private law domains.